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8 Counsel for Plaintiff

9 UNITED STATES DISTRICT COURT  
10 CENTRAL DISTRICT OF CALIFORNIA

11 THUC PHAM, Individually and on  
12 behalf of all others similarly situated,

13 Plaintiff,

14 v.

15 CHINA FINANCE ONLINE CO.  
16 LIMITED, ZHIWEI ZHAO and JUN  
17 WANG,

18 Defendants.

Case No:

**CLASS ACTION COMPLAINT FOR  
VIOLATION OF THE FEDERAL  
SECURITIES LAWS**

JURY TRIAL DEMANDED

19  
20 Plaintiff Thuc Pham (“Plaintiff”), individually and on behalf of all other  
21 persons similarly situated, by his undersigned attorneys, for his complaint against  
22 Defendants, alleges the following based upon personal knowledge as to himself and  
23 his own acts, and information and belief as to all other matters, based upon, *inter alia*,  
24 the investigation conducted by and through his attorneys, which included, among  
25 other things, a review of the Defendants’ public documents, conference calls and  
26 announcements made by Defendants, United States Securities and Exchange  
27 Commission (“SEC”) filings, wire and press releases published by and regarding  
28

1 China Finance Online Co. Limited, (“China Finance Online” or the “Company”),  
2 analysts’ reports and advisories about the Company, and information readily  
3 obtainable on the Internet. Plaintiff believes that substantial evidentiary support will  
4 exist for the allegations set forth herein after a reasonable opportunity for discovery.

### 5 **NATURE OF THE ACTION**

6 1. This is a federal securities class action on behalf of a class consisting of  
7 all persons other than Defendants who purchased or otherwise acquired China  
8 Finance Online American Depositary Shares (“ADSs”) between May 6, 2014 and  
9 June 3, 2015, both dates inclusive (the “Class Period”), seeking to recover  
10 compensable damages caused by Defendants’ violations of the federal securities laws  
11 and to pursue remedies under Sections 10(b) and 20(a) of the Securities Exchange  
12 Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder, against  
13 the Company and certain of its top officials.

14 2. During the Class Period, Defendants issued materially false and  
15 misleading statements and omitted to state material facts that rendered their  
16 affirmative statements misleading as they related to the Company’s financial  
17 performance, business prospects, and true financial condition.

### 18 **JURISDICTION AND VENUE**

19 3. The claims asserted herein arise under and pursuant to §§10(b) and 20(a)  
20 of the Exchange Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated  
21 thereunder by the SEC (17 C.F.R. §240.10b-5).

22 4. This Court has jurisdiction over the subject matter of this action pursuant  
23 to 28 U.S.C. §§ 1331 and 1337, and Section 27 of the Exchange Act, 15 U.S.C. §  
24 78aa.

25 5. Venue is proper in this District pursuant to §27 of the Exchange Act and  
26 28 U.S.C. §1391(b) as the alleged misleading public filings and press releases entered  
27 this district.



1        13. Statement of Financial Accounting Standards (“SFAS”) No. 57 and No.  
 2 850 provide that a public company’s “[f]inancial statements shall include disclosures  
 3 of material related party transactions.” SFAS No. 57 ¶ 2; 850-10-50-1. “Related  
 4 party transactions” include those between “an enterprise and its principal owners,  
 5 management, or members of their immediate families” and those between a company  
 6 and its “affiliates.” SFAS No. 57 ¶ 1; 850-10-05-3. “Affiliate” includes any company  
 7 that is under common control or management with the public company. SFAS No. 57  
 8 ¶ 24(a, b); 850-10-20.

9        14. Financial Statements not in compliance with GAAP are presumed to be  
 10 misleading. SEC Regulation S-X, 17 C.F.R. § 210.4-01.

11        **Materially False and Misleading Statements Issued During the Period**

12        15. The Class Period begins on May 6, 2014 when China Finance Online  
 13 filed its Form 20-F for the fiscal year ended December 31, 2013 (the “2013 20-F”)  
 14 with the SEC, which was signed by Defendant Wang. The 2013 20-F contained  
 15 signed certifications pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”) by  
 16 Defendants Shen and Yang attesting to the accuracy of the Form 20-F.

17        16. The 2013 20-F described the Company’s investment contract with  
 18 Langfang Shengshi Real Estate Development Co., Ltd. (the “Langfang Developer”),  
 19 stating in part:

20            In order to enhance our return on cash, on March 19, 2013, we entered  
 21 into a real estate investment contract with the Langfang Developer and  
 22 four original shareholders of Langfang Developer. Pursuant to the  
 23 investment contract with the Langfang Developer, at closing, we  
 24 invested an aggregate \$22,142,400 in consideration for 49% of the  
 25 Langfang Developer’s equity interest. Langfang Developer used the  
 26 invested amount to purchase land and develop a real estate project  
 27 thereon located in Langfang City, Hebei Province. This investment was  
 28 funded by our current capital resources. And we don’t expect this  
 investment has a material adverse effect to our liquidity and working  
 capital, for the foreseeable future. In November 2013, we transferred our  
 equity stake in the Langfang Developer for a total consideration of

1 \$24,930,702, which is being paid to us in several installments. As of  
2 December 31, 2013, we have collected \$11,481,244 in cash and  
3 expected to collect the remaining \$13,449,458 by September 20, 2014.  
4 In addition, we extended a loan of \$10,333,120 to the Langfang  
5 Developer at a monthly interest rate of 1.5%. As of December 31, 2013,  
6 the total principal outstanding and interest receivable was \$10,753,111,  
7 which amount we expected to collect by September 20, 2014. The  
8 uncollected consideration and loans are secured by one-hundred percent  
9 of Langfang Developer's equity interest.

10 17. The 2013 20-F stated the following with regards to related party  
11 transactions:

12 **Contractual arrangements with CFO Newrand and its shareholders**

13 We entered into a series of contractual arrangements with CFO Newrand  
14 and its nominee shareholders (i.e., Lin Yang and Linghai Ma) in 2008  
15 (the "CFO Newrand VIE Contracts"). Please refer to our 2008 Annual  
16 Report on Form 20-F for a detailed description of the CFO Newrand  
17 VIE Contracts.

18 On January 11, 2012, we entered into (i) a framework agreement on  
19 exercising purchase option with Lin Yang and the parties thereunder,  
20 and (ii) a framework agreement on exercising purchase option with  
21 Linghai Ma and the parties thereunder. Pursuant to the framework  
22 agreements, Lin Yang subscribed and contributed the increased  
23 registered capital of CFO Newrand using the loans rendered by CFO  
24 Software. Upon the capital increase, Lin Yang's shareholding  
25 percentage in CFO Newrand increased from 17.5% to 45% while  
26 Linghai Ma's shareholding percentage in CFO Newrand decreased from  
27 82.5% to 55%. In addition, on the same date, each of Linghai Ma and  
28 Lin Yang entered into a purchase option agreement with CFO Newrand  
and CFO Software respectively. The terms of these two agreements are  
substantially the same as the purchase option agreement entered into by  
and among CFO Beijing, Zhiwei Zhao and Jun Wang in respect of their  
equity interests in CFO Fuhua.

**Contractual arrangements with Fortune Yingchuang (Beijing)  
Technology Co., Ltd. ("CFO Yingchuang") and its shareholders**

1 We entered into a framework agreement on exercising purchase option  
2 and certain ancillary agreements including a loan agreement, an equity  
3 transfer agreement and an equity pledge agreement on November 1,  
4 2012 with Yang Yang and the parties thereunder (collectively, the “CFO  
5 Yingchuang VIE Amendments”). Pursuant to the CFO Yingchuang VIE  
6 Amendments, we exercised the purchase option by designating Ying  
7 Zhu to purchase all of the equity interests held by Yang Yang in CFO  
8 Yingchuang. Upon the equity transfer, Ying Zhu replaced Yang Yang as  
9 a shareholder of CFO Yingchuang, holding 45% of the equity interests  
10 in CFO Yingchuang. Ying Zhu and Lin Yang pledged all of their equity  
11 interests in CFO Yingchuang to CFO Chuangying to guarantee the  
12 payment obligations of CFO Yingchuang under the technical support  
13 agreement and the strategic consulting agreement between CFO  
14 Yingchuang and CFO Chuangying.

12 **Contractual arrangements with Shanghai Shangtong Information**  
13 **Technology Co., Ltd. (“CFO Shangtong”) and its shareholders**

14 We entered into a framework agreement on exercising purchase option  
15 and certain ancillary agreements including a loan agreement, an equity  
16 transfer agreement and an equity pledge agreement on December 1,  
17 2012 with Yuting Zhou and the parties thereunder (collectively, the  
18 “CFO Shangtong VIE Amendments”). Pursuant to the CFO Shangtong  
19 VIE Amendments, we exercised the purchase option by designating Xun  
20 Zhao to purchase all of the equity interests held by Yuting Zhou in CFO  
21 Shangtong. Upon the equity transfer, Xun Zhao replaced Yuting Zhou as  
22 a shareholder of CFO Shangtong, holding 45% of the equity interests in  
23 CFO Shangtong. Xun Zhao and Juanjuan Wang pledged all of their  
24 equity interests in CFO Shangtong to CFO Software to guarantee the  
25 payment obligations of CFO Shangtong under the technical support  
26 agreement and the strategic consulting agreement between CFO  
27 Shangtong and CFO Software.

25 **Contractual arrangements with CFO Chuangying and its**  
26 **shareholders**

27 We entered into a series of contractual arrangements with CFO  
28 Chuangying and its nominee shareholders (i.e., Zhiwei Zhao and Jun  
Wang) on November 1, 2012 in (the “CFO Chuangying VIE



1 Contracts”). The CFO Chuangying VIE Contracts are similar to  
2 agreements we had entered into with CFO Fuhua and its shareholders,  
3 specifically:

4 Loan Agreement. We entered into a loan agreement with Zhiwei Zhao to  
5 extend to Mr. Zhao a loan in the amount of RMB 8,277,500, for the sole  
6 purpose of financing his contribution to the registered capital of CFO  
7 Chuangying. Zhiwei Zhao can only repay the loans by transferring all of  
8 his interest in CFO Chuangying to us or a third party designated by us.  
9 When Zhiwei Zhao transfers his interest in CFO Chuangying to us or  
10 our designee, if the actual transfer price is higher than the principal  
11 amount of the loans, the amount exceeding the principal amount of the  
12 loans will be deemed as interest accrued on such loans and repaid by  
13 Zhiwei Zhao to us.

14 We entered into a loan agreement with Jun Wang to extend to Mr. Wang  
15 a loan in the amount of RMB 6,772,500 for the sole purpose of financing  
16 his contribution to the registered capital of CFO Chuangying subject to  
17 the same terms and conditions as the loan agreement we entered into  
18 with Zhiwei Zhao as discussed above.

19 Purchase Option Agreement. Pursuant to a purchase option and  
20 cooperation agreement, or the purchase option agreement, entered into  
21 among Zhiwei Zhao, Jun Wang, CFO Chuangying and CFO Software on  
22 November 1, 2012, Zhiwei Zhao and Jun Wang jointly granted CFO  
23 Software an exclusive option to purchase all or any portion of their  
24 equity interest in CFO Chuangying, and CFO Chuangying granted us an  
25 exclusive option to purchase all of its assets if and when (1) such  
26 purchase is permitted under applicable PRC law and (2) to the extent  
27 permitted by law, Zhiwei Zhao and/or Jun Wang ceases to be a director  
28 or employee of CFO Chuangying, or either Zhiwei Zhao or Jun Wang  
desires to transfer his equity interest in CFO Chuangying to a party other  
than the existing shareholders of CFO Chuangying. We may purchase  
such interest or assets ourselves or designate another party to purchase  
such interest or assets.

Voting arrangement. Each of Zhiwei Zhao and Jun Wang delivered an  
executed proxy to us with respect to their voting rights as shareholders  
of CFO Chuangying.

1 Share Pledge Agreement. Pursuant to a share pledge agreement, dated  
2 November 1, 2012, Zhiwei Zhao and Jun Wang have pledged all of their  
3 equity interest in CFO Chuangying to CFO Software to secure the  
4 payment obligations of CFO Chuangying under the technical support  
5 agreement and the strategic consulting agreement between CFO  
6 Chuangying and CFO Software.

7 We entered into a framework agreement on exercising purchase option  
8 and certain ancillary agreements including a loan agreement, an equity  
9 transfer agreement and an equity pledge agreement on November 15,  
10 2012 with Zhiwei Zhao, Jun Wang and the parties thereunder  
11 (collectively, the "CFO Chuangying VIE Amendments"). Pursuant to  
12 the CFO Chuangying VIE Amendments, we exercised the purchase  
13 option under the purchase option agreement by (i) designating Xiaowei  
14 Wang to purchase all of the equity interests held by Zhiwei Zhao in CFO  
15 Chuangying and (ii) designating Na Zhang to purchase all of the equity  
16 interests held by Jun Wang in CFO Chuangying. Upon the equity  
17 transfer, Xiaowei Wang and Na Zhang became the nominee  
18 shareholders of CFO Chuangying, holding 55% and 45% of the equity  
19 interests in CFO Chuangying respectively. Xiaowei Wang and Na Zhang  
20 pledged all of their equity interests in CFO Chuangying to CFO  
21 Software to guarantee the payment obligations of CFO Chuangying  
22 under the technical support agreement and the strategic consulting  
23 agreement between CFO Chuangying and CFO Software.

24 The English translation of the forms of VIE contracts are attached as  
25 Exhibits [4.4-4.10] to this Annual Report on Form 20-F and  
26 incorporated herein by reference.  
27

28 18. The statements referenced in ¶¶15-17 above were materially false and/or  
misleading because they misrepresented and failed to disclose the following adverse  
facts, which were known to Defendants or recklessly disregarded by them, including  
that: (1) Defendant Zhao had an indirect equity interest in Langfang Developer at the  
time of the Company's investment; (2) the Company's financial statements contain  
GAAP violations by failing to disclose the investment in Langfang Developer as a



related party transaction; (3) as a result of the foregoing, China Finance Online public statements were materially false and misleading at all relevant times.

19. On April 27, 2015 China Finance Online filed its Form 20-F for the fiscal year ended December 31, 2014 (the “2014 20-F”) with the SEC, which was signed by Defendant Wang. The 2013 20-F contained signed certifications pursuant to SOX by Defendants Zhao and Wang attesting to the accuracy of the Form 20-F.

20. The 2014 20-F described the Company’s variable interest entities (VIEs) and their respective business sectors, stating in part:

**Variable interest entities:**

Beijing Fuhua Innovation Technology Development Co., Ltd. (“CFO Fuhua”)	Beijing, PRC	Dec. 31, 2000	Nil	Web portal and advertising service
Shanghai Chongzhi Co., Ltd. (“CFO Chongzhi”)	Shanghai, PRC	Jun. 6, 2008	Nil	Subscription service
Fortune (Beijing) Qicheng Technology Co., Ltd. (“CFO Qicheng”)	Beijing, PRC	Dec. 18, 2009	Nil	N/A
Shenzhen Newrand Securities Advisory and Investment Co., Ltd. (“CFO Newrand”)	Shenzhen, PRC	Oct. 17, 2008	Nil	Securities investment advising
Shanghai Stockstar Securities Advisory and Investment Co., Ltd. (“CFO Securities Consulting”)	Shanghai, PRC	Nov. 5, 2009	Nil	Securities investment advising
Shanghai Stockstar Wealth Management Co., Ltd. (“Stockstar Wealth Management”)	Shanghai, PRC	Apr. 12, 2011	Nil	N/A

**Subsidiaries of variable interest entities:**

Shanghai Meining Computer Software Co., Ltd. (“CFO Meining”)	Shanghai, PRC	Oct. 1, 2006	Nil	Web portal, advertising, subscription, and SMS
Shenzhen Newrand Securities Training Center (“CFO Newrand Training”)	Shenzhen, PRC	Oct. 17, 2008	Nil	Securities investment training
Fortune (Beijing) Huiying Investment Consulting Co., Ltd. (“CFO Huiying”)	Beijing, PRC	Dec. 18, 2009	Nil	N/A
Shenzhen Tahoe Investment and Development Co., Ltd. (“CFO Tahoe”)	Shenzhen, PRC	Sep. 30, 2013	Nil	N/A
Shenzhen Shangtong Software Co., Ltd. (“CFO Shenzhen Shangtong”)	Shenzhen, PRC	Sep. 23, 2009	Nil	N/A
Zhengjin (Fujian) Precious Metals Investment Co., Ltd. (“CFO Zhengjin Fujian”)	Fujian, PRC	Jan. 6, 2013	Nil	Precious metals brokerage
Zhengjin (Shanghai) Precious Metals Investment Co., Ltd. (“CFO Zhengjin Shanghai”)	Shanghai, PRC	Dec. 12, 2013	Nil	Precious metals brokerage
Zhengjin (Tianjin) Precious Metals Investment Co., Ltd. (“CFO Zhengjin Tianjin”)	Tianjin, PRC	Jul. 23, 2013	Nil	Precious metals brokerage

			2013	
1	Henghui (Tianjin) Precious Metals Investment Co., Ltd. ("CFO Henghui")	Tianjin, PRC	Sep. 30, 2013	Nil
2				Precious metals brokerage
3	Zhengjin (Beijing) Wisdom Petroleum and Chemical Investment Management Co., Ltd. ("CFO Zhengjin Beijing")	Beijing, PRC	Jan. 13, 2014	Nil
4				N/A
5	Yinglibao (Beijing) Technology Co., Ltd. ("CFO Yinglibao")	Beijing, PRC	Jan. 15, 2014	Nil
6				Internet-based financial platform
7	Zhengjin (Qingdao) Wisdom Trading Co., Ltd. ("CFO Zhengjin Qingdao")	Qingdao, PRC	Sep. 4, 2014	Nil
8				N/A
9	Zhengjin (Jiangsu) Precious Metals Co., Ltd. ("CFO Zhengjin Jiangsu")	Nanjing, PRC	Nov. 19, 2014	Nil
10				Precious metals brokerage

21. The statements referenced in ¶¶19-20 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts, which were known to Defendants or recklessly disregarded by them, including that: (1) Defendant Zhao had suddenly resigned from his positions at three key Chinese VIE subsidiaries of the Company; and (2) as a result of the foregoing, China Finance Online public statements were materially false and misleading at all relevant times.

### THE TRUTH EMERGES

22. On June 3, 2015, GeoInvesting, LLC published a report on China Finance Online (the "GeoInvesting Report") asserting, among other things, that: (1) the most current SAIC records show that Defendant Zhao suddenly resigned from his positions at three key Chinese VIE subsidiaries of JRJC over the period of March and April of 2015; and (2) at the time of the Company's investment in Langfang Developer, Defendant Zhao had an indirect equity interest in Langfang Developer. The GeoInvesting report stated, in part:

#### **CEO Zhao Suddenly Resigned from the Management of Three of JRJC's Key Chinese VIE Subsidiaries**

For U.S. investors, JRJC's legal issues are compounded by the risky VIE structure of its Chinese operations. As many authors have previously noted, VIE structures often entail significant risks, especially when a company's main Chinese operating subsidiaries are VIEs controlled by a

1 person who is in legal trouble. JRJC historically did a poor job  
2 disclosing its VIE structure, which was recently questioned by the SEC,  
3 resulting in JRJC filing an amended 2013 20-F on April 21, 2015 that  
4 added more detailed disclosures and related risks. Despite the additional  
5 disclosure, JRJC failed to disclose the resignation of CEO Zhao from  
6 key VIE management posts made in the weeks prior to the April 27,  
7 2015 filing of its 2014 20-F.

8 We obtained and reviewed the SAIC records of JRJC's Chinese VIE and  
9 directly owned operating subsidiaries. **To our surprise, updated SAIC**  
10 **records show that CEO Zhao suddenly resigned as director, legal**  
11 **representative, and general manager of three key Chinese VIE**  
12 **subsidiaries over the course of the last few months. JRJC has failed**  
13 **to disclose Zhao's resignations to investors.**

14 The following are the three key VIE subsidiaries that reported the  
15 resignation of Zhao in updated SAIC filings:

- 16 1. Beijing Fuhua Innovation Technology Development Co., Ltd. Beijing  
17 Fuhua is the VIE that owns JRJC's flagship web portal, jrj.com.  
18 Chairman Zhao resigned as legal representative, executive director  
19 and general manager on March 26, 2015. CFO Jun Wang was  
20 appointed as Zhao's replacement. A translated screenshot of the  
21 Beijing online SAIC record appears below:  
22  
23  
24  
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26  
27  
28

Beijing Fuhua Innovation Technology Development Co., Ltd.

基本信息	
注册号	1101020001886667
名称	北京富华创新科技发展有限公司
类型	有限责任公司(自然人投资或控股)
法定代表人	王军
注册资本	1000 万元
成立日期	2000年12月13日
住所	北京市西城区金融大街35号国际企业大厦C座938-941室

Corporate Change Information

Change items	Content before change	变更信息	Content after change	Change date
变更事项	变更前内容		变更后内容	变更日期
法定代表人	赵志伟		王军	2015-03-26
董事(理事)、经理、监事	详细			2015-03-26
Legal representative	Zhiwei Zhao		Jun Wang	03/26/2015

Before change	After change																								
当前位置 - 主要人员变更信息详细																									
变更前 (注: 标有*标志的为法定代表人)	变更后 (注: 标有*标志的为法定代表人)																								
<table border="1"> <thead> <tr> <th>序号</th> <th>姓名</th> <th>职位</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>赵志伟*</td> <td>执行董事</td> </tr> <tr> <td>2</td> <td>赵志伟*</td> <td>总经理</td> </tr> <tr> <td>3</td> <td>王军</td> <td>监事</td> </tr> </tbody> </table>	序号	姓名	职位	1	赵志伟*	执行董事	2	赵志伟*	总经理	3	王军	监事	<table border="1"> <thead> <tr> <th>序号</th> <th>姓名</th> <th>职位</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>王军*</td> <td>执行董事</td> </tr> <tr> <td>2</td> <td>王军*</td> <td>经理</td> </tr> <tr> <td>3</td> <td>张卿</td> <td>监事</td> </tr> </tbody> </table>	序号	姓名	职位	1	王军*	执行董事	2	王军*	经理	3	张卿	监事
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1	赵志伟*	执行董事																							
2	赵志伟*	总经理																							
3	王军	监事																							
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<table border="1"> <tbody> <tr> <td>Zhiwei Zhao</td> <td>Executive Director</td> </tr> <tr> <td>Zhiwei Zhao</td> <td>General Manager</td> </tr> </tbody> </table>	Zhiwei Zhao	Executive Director	Zhiwei Zhao	General Manager	<table border="1"> <tbody> <tr> <td>Jun Wang</td> <td>Executive Director</td> </tr> <tr> <td>Jun Wang</td> <td>General Manager</td> </tr> </tbody> </table>	Jun Wang	Executive Director	Jun Wang	General Manager																
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Zhiwei Zhao	General Manager																								
Jun Wang	Executive Director																								
Jun Wang	General Manager																								

2. Shanghai Meining Computer Software Co., Ltd. Shanghai Meining is the VIE that owns JRJC's other flagship web portal, stockstar.com. Chairman Zhao resigned as legal representative and director on April 8, 2015. CFO Jun Wang was appointed as Zhao's replacement. A translated screenshot of the Shanghai online SAIC record appears below:

Shanghai Meining Computer Software Co., Ltd			
基本信息			
注册号	310104000167663	名称	上海美宁计算机科技有限公司
类型	有限责任公司(自然人投资或控股的法人独资)	法定代表人	王军
注册资本	1164.63万人民币	成立日期	2000年2月23日
住所	上海市徐汇区乐山路33号五号楼四楼		

Corporate Change Information			
Change items	Content before change	Content after change	Change date
变更信息			
变更事项	变更前内容	变更后内容	变更日期
经理备案	洪榕	王军	2015年4月8日
监事备案	王娟娟	王娟娟	2015年4月8日
章程备案	无	2015-03-30章程备案	2015年4月8日
法定代表人变更	赵志伟	王军	2015年4月8日
董事备案	朱颖;赵志伟;王军;赵志伟	王军	2015年4月8日
Legal representative	Zhiwei Zhao	Jun Wang	04/08/2015
Directors	Yin Zhu; Zhiwei Zhao; Jun Wang	Jun Wang	04/08/2015

3. Shanghai Stockstar Wealth Management Co., Ltd. Shanghai Stockstar is a VIE that, along with its affiliates, are key to JRJC's precious metals trading business, which in total contributed 72% of JRJC's 2014 revenues. Chairman Zhao resigned as a director on April 17, 2015. No replacement was named. A translated screenshot of the Shanghai online SAIC record appears below:

Shanghai Stockstar Wealth Management Co., Ltd

基本信息			
注册号	310115001811922	名称	上海证券之星财富管理有限公司
类型	有限责任公司(自然人投资或控股)	法定代表人	王军
注册资本	3000.0万人民币	成立日期	2011年4月12日
住所	浦东新区张家浜路37弄4-5号138室		

Corporate Change Information

Change items	Content before change	Content after change	Change date
变更信息			
变更事项	变更内容	变更后内容	变更日期
法定代表人变更	王军	王军	2015年4月17日
董事备案	王军; 赵劲; 赵志伟	王军	2015年4月17日
Directors	Jun Wang; Xun Zhao; Zhiwei Zhao	Jun Wang	04/17/2015

One additional subsidiary also reported the resignation of Zhao in updated SAIC filings:

Fortune Software (Beijing) Co., Ltd. Fortune Software has registered capital of \$12 million and is 100% owned by JRJC. Chairman Zhao resigned as legal representative, director and general manager on April 17, 2015. A person named Na Zhang was appointed as Zhao's replacement. A translated screenshot of the Beijing online SAIC record appears below:



Fortune Software (Beijing) Co., Ltd				
基本信息				
注册号	110000410226288	名称	财富软件(北京)有限公司	
类型	有限责任公司(台湾资法人独资)	法定代表人	张娜	
注册资本	1500 万元 美元	成立日期	2004年12月07日	
住所	北京市海淀区海淀南路50号北京航天精密大厦608室			

  

Corporate Change Information				
Change items	Content before change	变更信息	Content after change	Change date
变更事项	变更前内容		变更后内容	变更日期
法定代表人	赵志伟	张娜		2015-04-17
注册资本	1200万元		1500万元	2015-04-17
董事(理事)、经理、监事	汪翊			2015-04-17

  

Legal representative	Zhiwei Zhao	Na Zhang	04/17/2015
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\* \* \*

As of December 26, 2013, Langfang Developer was 75% owned by Beijing Qingshi Investment Management Co., Ltd, which was 100% owned by Ling Wang, according to SAIC records shown below:

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Beijing Qingshi Investment Management Co., Ltd

名称: 北京青石投资管理有限公司 注册号: 110000003267642

类型: 有限责任公司(自然人独资) 法定代表人: 王翎

成立日期: 2001-09-10

住所: 北京市海淀区青云里满庭芳园小区9号楼青云当代大厦605室

Change items: capital contributed, time of contribution, contribution method, actual contribution amount, actual contribution method, investor, actual contribution time

Change time: 07/23/2013

变更前 2013-07-23

变更后

变更前

序号	姓名/名称	出资金额	投资人类型
总计: 10000.0(万)			
1	王翎	8000	自然人股东
2	赵志伟	2000	自然人股东

变更后

序号	姓名/名称	出资金额	投资人类型
总计: 10000.0(万)			
1	王翎	10000	自然人股东

Name	Capital Contribution	Investor Type
Total: 100 million (RMB)		
Ling Wang	80 million (RMB)	Individual
Zhiwei Zhao	20 million (RMB)	Individual

Name	Capital Contribution	Investor Type
Total: 100 million (RMB)		
Ling Wang	100 million (RMB)	Individual

21 At the time of this suspicious investment (March 2013), JRJC CEO  
22 Zhao also failed to disclose that he had an indirect equity interest in  
23 Wang's Langfang Developer, which according to the SAIC record  
(above) Zhao transferred to Ling Wang on July 23, 2013.

24 23. As a result of this news, shares of China Finance Online fell \$1.28 per  
25 ADS or over 21% to close at \$4.67 per ADS on June 3, 2015.

26 24. As a result of Defendants' wrongful acts and omissions, and the  
27 precipitous decline in the market value of the Company's securities, Plaintiff and  
28 other Class members have suffered significant losses and damages.

**PLAINTIFF'S CLASS ACTION ALLEGATIONS**

25. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased or otherwise acquired China Finance Online ADSs traded on NASDAQ during the Class Period (the "Class"); and were damaged upon the revelation of the alleged corrective disclosures. Excluded from the Class are Defendants herein, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

26. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, China Finance Online securities were actively traded on NASDAQ. While the exact number of Class members is unknown to Plaintiff at this time and can be ascertained only through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Record owners and other members of the Class may be identified from records maintained by China Finance Online or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

27. Plaintiff's claims are typical of the claims of the members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

28. Plaintiff will fairly and adequately protect the interests of the members of the Class and has retained counsel competent and experienced in class and securities litigation. Plaintiff has no interests antagonistic to or in conflict with those of the Class.

29. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- 1 • whether the federal securities laws were violated by Defendants' acts as
- 2 alleged herein;
- 3 • whether statements made by Defendants to the investing public during
- 4 the Class Period misrepresented material facts about the business,
- 5 operations and management of China Finance Online;
- 6 • whether the Individual Defendants caused China Finance Online to issue
- 7 false and misleading financial statements during the Class Period;
- 8 • whether Defendants acted knowingly or recklessly in issuing false and
- 9 misleading financial statements;
- 10 • whether the prices of China Finance Online ADSs during the Class
- 11 Period were artificially inflated because of the Defendants' conduct
- 12 complained of herein; and,
- 13 • whether the members of the Class have sustained damages and, if so,
- 14 what is the proper measure of damages.

15 30. A class action is superior to all other available methods for the fair and  
16 efficient adjudication of this controversy since joinder of all members is  
17 impracticable. Furthermore, as the damages suffered by individual Class members  
18 may be relatively small, the expense and burden of individual litigation make it  
19 impossible for members of the Class to individually redress the wrongs done to them.  
20 There will be no difficulty in the management of this action as a class action.

21 31. Plaintiff will rely, in part, upon the presumption of reliance established  
22 by the fraud-on-the-market doctrine in that:

- 23 • Defendants made public misrepresentations or failed to disclose material
- 24 facts during the Class Period;
- 25 • the omissions and misrepresentations were material;
- 26 • China Finance Online ADSs are traded in efficient markets;
- 27 • the Company's shares were liquid and traded with moderate to heavy
- 28 volume during the Class Period;

- 1 • China Finance Online ADSs traded on NASDAQ, and was covered by
- 2 multiple analysts;
- 3 • the misrepresentations and omissions alleged would tend to induce a
- 4 reasonable investor to misjudge the value of the Company's securities;
- 5 and
- 6 • Plaintiff and members of the Class purchased and/or sold China Finance
- 7 Online ADSs between the time the Defendants failed to disclose or
- 8 misrepresented material facts and the time the true facts were disclosed,
- 9 without knowledge of the omitted or misrepresented facts.

10 32. Based upon the foregoing, Plaintiff and the members of the Class are  
11 entitled to a presumption of reliance upon the integrity of the market.

12 33. Alternatively, Plaintiffs and the members of the Class are entitled to the  
13 presumption of reliance established by the Supreme Court in *Affiliated Ute Citizens of*  
14 *the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430 (1972), as Defendants  
15 omitted material information in their Class Period statements in violation of a duty to  
16 disclose such information, as detailed above.

## 17 **COUNT I**

### 18 **Violation of Section 10(b) of The Exchange Act and Rule 10b-5** 19 **Against All Defendants**

20 34. Plaintiff repeats and realleges each and every allegation contained above  
21 as if fully set forth herein.

22 35. This Count is asserted against Defendants and is based upon Section  
23 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated  
24 thereunder by the SEC.

25 36. During the Class Period, Defendants engaged in a plan, scheme,  
26 conspiracy and course of conduct, pursuant to which they knowingly or recklessly  
27 engaged in acts, transactions, practices and courses of business which operated as a  
28 fraud and deceit upon Plaintiff and the other members of the Class; made various

1 untrue statements of material facts and omitted to state material facts necessary in  
2 order to make the statements made, in light of the circumstances under which they  
3 were made, not misleading; and employed devices, schemes and artifices to defraud  
4 in connection with the purchase and sale of securities. Such scheme was intended to,  
5 and, throughout the Class Period, did: (i) deceive the investing public, including  
6 Plaintiff and other Class members, as alleged herein; (ii) artificially inflate and  
7 maintain the market price of China Finance Online ADSs; and (iii) cause Plaintiff and  
8 other members of the Class to purchase or otherwise acquire China Finance Online  
9 ADSs and options at artificially inflated prices. In furtherance of this unlawful  
10 scheme, plan and course of conduct, Defendants, and each of them, took the actions  
11 set forth herein.

12       37. Pursuant to the above plan, scheme, conspiracy and course of conduct,  
13 each of the Defendants participated directly or indirectly in the preparation and/or  
14 issuance of the quarterly and annual reports, SEC filings, press releases and other  
15 statements and documents described above, including statements made to securities  
16 analysts and the media that were designed to influence the market for China Finance  
17 Online ADSs. Such reports, filings, releases and statements were materially false and  
18 misleading in that they failed to disclose material adverse information and  
19 misrepresented the truth about China Finance Online's finances and business  
20 prospects.

21       38. By virtue of their positions at China Finance Online, Defendants had  
22 actual knowledge of the materially false and misleading statements and material  
23 omissions alleged herein and intended thereby to deceive Plaintiff and the other  
24 members of the Class, or, in the alternative, Defendants acted with reckless disregard  
25 for the truth in that they failed or refused to ascertain and disclose such facts as would  
26 reveal the materially false and misleading nature of the statements made, although  
27 such facts were readily available to Defendants. Said acts and omissions of  
28 Defendants were committed willfully or with reckless disregard for the truth. In



1 addition, each defendant knew or recklessly disregarded that material facts were  
2 being misrepresented or omitted as described above.

3 39. Defendants were personally motivated to make false statements and omit  
4 material information necessary to make the statements not misleading in order to  
5 personally benefit from the sale of China Finance Online ADSs from their personal  
6 portfolios.

7 40. Information showing that Defendants acted knowingly or with reckless  
8 disregard for the truth is peculiarly within Defendants' knowledge and control. As the  
9 senior managers and/or directors of China Finance Online, the Individual Defendants  
10 had knowledge of the details of China Finance Online's internal affairs.

11 41. The Individual Defendants are liable both directly and indirectly for the  
12 wrongs complained of herein. Because of their positions of control and authority, the  
13 Individual Defendants were able to and did, directly or indirectly, control the content  
14 of the statements of China Finance Online. As officers and/or directors of a publicly-  
15 held company, the Individual Defendants had a duty to disseminate timely, accurate,  
16 and truthful information with respect to China Finance Online's businesses,  
17 operations, future financial condition and future prospects. As a result of the  
18 dissemination of the aforementioned false and misleading reports, releases and public  
19 statements, the market price for China Finance Online ADSs was artificially inflated  
20 throughout the Class Period. In ignorance of the adverse facts concerning China  
21 Finance Online's business and financial condition which were concealed by  
22 Defendants, Plaintiff and the other members of the Class purchased or otherwise  
23 acquired China Finance Online ADSs at artificially inflated prices and relied upon the  
24 price of the securities, the integrity of the market for the securities and/or upon  
25 statements disseminated by Defendants, and were damaged upon the revelation of the  
26 alleged corrective disclosures.

27 42. During the Class Period, China Finance Online ADSs were traded on an  
28 active and efficient market. Plaintiff and the other members of the Class, relying on

1 the materially false and misleading statements described herein, which the  
2 Defendants made, issued or caused to be disseminated, or relying upon the integrity  
3 of the market, purchased or otherwise acquired shares of China Finance Online ADSs  
4 at prices artificially inflated by Defendants' wrongful conduct. Had Plaintiff and the  
5 other members of the Class known the truth, they would not have purchased or  
6 otherwise acquired said securities, or would not have purchased or otherwise acquired  
7 them at the inflated prices that were paid. At the time of the purchases and/or  
8 acquisitions by Plaintiff and the Class, the true value of China Finance Online ADSs  
9 was substantially lower than the prices paid by Plaintiff and the other members of the  
10 Class. The market price of China Finance Online ADSs declined sharply upon public  
11 disclosure of the facts alleged herein to the injury of Plaintiff and Class members.

12 43. By reason of the conduct alleged herein, Defendants knowingly or  
13 recklessly, directly or indirectly, have violated Section 10(b) of the Exchange Act and  
14 Rule 10b-5 promulgated thereunder.

15 44. As a direct and proximate result of Defendants' wrongful conduct,  
16 Plaintiff and the other members of the Class suffered damages in connection with  
17 their respective purchases, acquisitions and sales of the Company's securities during  
18 the Class Period, upon the disclosure that the Company had been disseminating  
19 misrepresented financial statements to the investing public.

## 20 **COUNT II**

### 21 **Violation of Section 20(a) of The Exchange Act** 22 **Against The Individual Defendants**

23 45. Plaintiff repeats and realleges each and every allegation contained in the  
24 foregoing paragraphs as if fully set forth herein.

25 46. During the Class Period, the Individual Defendants participated in the  
26 operation and management of China Finance Online, and conducted and participated,  
27 directly and indirectly, in the conduct of China Finance Online's business affairs.  
28

1 Because of their senior positions, they knew the adverse non-public information  
2 regarding China Finance Online's business practices.

3 47. As officers and/or directors of a publicly owned company, the Individual  
4 Defendants had a duty to disseminate accurate and truthful information with respect  
5 to China Finance Online's financial condition and results of operations, and to correct  
6 promptly any public statements issued by China Finance Online which had become  
7 materially false or misleading.

8 48. Because of their positions of control and authority as senior officers, the  
9 Individual Defendants were able to, and did, control the contents of the various  
10 reports, press releases and public filings which China Finance Online disseminated in  
11 the marketplace during the Class Period. Throughout the Class Period, the Individual  
12 Defendants exercised their power and authority to cause China Finance Online to  
13 engage in the wrongful acts complained of herein. The Individual Defendants  
14 therefore, were "controlling persons" of China Finance Online within the meaning of  
15 Section 20(a) of the Exchange Act. In this capacity, they participated in the unlawful  
16 conduct alleged which artificially inflated the market price of China Finance Online  
17 ADSs.

18 49. Each of the Individual Defendants, therefore, acted as a controlling  
19 person of China Finance Online. By reason of their senior management positions  
20 and/or being directors of China Finance Online, each of the Individual Defendants  
21 had the power to direct the actions of, and exercised the same to cause, China Finance  
22 Online to engage in the unlawful acts and conduct complained of herein. Each of the  
23 Individual Defendants exercised control over the general operations of China Finance  
24 Online and possessed the power to control the specific activities which comprise the  
25 primary violations about which Plaintiff and the other members of the Class  
26 complain.

50. By reason of the above conduct, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act for the violations committed by China Finance Online.

## PRAAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment against Defendants as follows:

A. Determining that the instant action may be maintained as a class action under Rule 23 of the Federal Rules of Civil Procedure, and certifying Plaintiff as the Class representative;

B. Requiring Defendants to pay damages sustained by Plaintiff and the Class by reason of the acts and transactions alleged herein;

C. Awarding Plaintiff and the other members of the Class prejudgment and post-judgment interest, as well as their reasonable attorneys' fees, expert fees and other costs; and

D. Awarding such other and further relief as this Court may deem just and proper.

## DEMAND FOR TRIAL BY JURY

Plaintiff hereby demands a trial by jury.

Dated: June 5, 2015

Respectfully submitted,

**THE ROSEN LAW FIRM, P.A.**

/s/ Laurence M. Rosen

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Counsel for Plaintiff